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By: **Delegate La Vay**  
Introduced and read first time: February 8, 2002  
Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Credit for Qualified Development Project**

3 FOR the purpose of allowing an individual or business entity to claim a State income  
4 tax credit for certain qualified development expenditures incurred in certain  
5 qualified development projects; providing that the credit is a certain amount for  
6 qualified development projects located in certain areas under certain  
7 circumstances; prohibiting the same tax credit from applying more than once  
8 against different taxes; allowing unused credit to be applied in succeeding  
9 taxable years under certain circumstances; authorizing an individual or  
10 business entity to transfer the amount of unused credit under certain  
11 circumstances; defining certain terms; and generally relating to a tax credit  
12 against the State income tax for certain qualified development expenditures for  
13 certain qualified development projects.

14 BY adding to  
15 Article - Tax - General  
16 Section 10-724  
17 Annotated Code of Maryland  
18 (1997 Replacement Volume and 2001 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Tax - General**

22 10-724.

23 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
24 INDICATED.

25 (2) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING OR OPERATING  
26 A TRADE OR BUSINESS IN THE STATE.

27 (3) "QUALIFIED DEVELOPMENT EXPENDITURE" MEANS ANY AMOUNT  
28 THAT IS:

- 1 (I) PROPERLY CHARGEABLE TO A CAPITAL ACCOUNT; AND  
2 (II) IS EXPENDED FOR A QUALIFIED DEVELOPMENT PROJECT.

3 (4) "QUALIFIED DEVELOPMENT PROJECT" MEANS A NEW  
4 DEVELOPMENT PROJECT FOR WHICH QUALIFIED DEVELOPMENT EXPENDITURES,  
5 DURING THE 24-MONTH PERIOD SELECTED BY THE TAXPAYER ENDING WITH OR  
6 WITHIN THE TAXABLE YEAR, EXCEED:

- 7 (I) FOR OWNER-OCCUPIED RESIDENTIAL PROPERTY, \$5,000; OR  
8 (II) FOR ALL OTHER PROPERTY, THE GREATER OF:  
9 1. THE ADJUSTED BASIS OF THE STRUCTURE; OR  
10 2. \$5,000.

11 (B) AN INDIVIDUAL OR BUSINESS ENTITY MAY CLAIM A CREDIT AGAINST THE  
12 STATE INCOME TAX IN AN AMOUNT EQUAL TO 25% OF THE TAXPAYER'S QUALIFIED  
13 DEVELOPMENT EXPENDITURES FOR A QUALIFIED DEVELOPMENT PROJECT  
14 LOCATED IN THE FOLLOWING AREAS:

15 (1) A PRIORITY FUNDING AREA UNDER § 5-7B-02 OF THE STATE  
16 FINANCE AND PROCUREMENT ARTICLE IF THE PROJECT IS INFILL DEVELOPMENT AS  
17 DEFINED IN § 5-7B-09 OF THE STATE FINANCE AND PROCUREMENT ARTICLE;

18 (2) AN AREA DESIGNATED AS AN ENTERPRISE ZONE UNDER ARTICLE  
19 83A, § 5-402 OF THE CODE;

20 (3) A QUALIFIED DISTRESSED COUNTY AS DEFINED UNDER ARTICLE  
21 83A, § 5-1501 OF THE CODE; OR

22 (4) AN ARTS AND ENTERTAINMENT DISTRICT AS DEFINED UNDER  
23 ARTICLE 83A, § 4-701 OF THE CODE.

24 (C) THE CREDIT ALLOWED UNDER THIS SECTION IS APPLICABLE TO  
25 QUALIFIED DEVELOPMENT EXPENDITURES FOR A QUALIFIED DEVELOPMENT  
26 PROJECT, WHETHER THE PROJECT IS:

- 27 (1) INCOME PRODUCING REAL PROPERTY; OR  
28 (2) NONINCOME PRODUCING REAL PROPERTY.

29 (D) (1) IF THE CREDIT ALLOWED TO AN INDIVIDUAL OR BUSINESS ENTITY  
30 UNDER THIS SECTION FOR ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX  
31 OTHERWISE PAYABLE BY THE INDIVIDUAL OR BUSINESS ENTITY FOR THAT TAXABLE  
32 YEAR, THE INDIVIDUAL OR BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT  
33 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

- 34 (I) THE FULL AMOUNT OF THE CREDIT IS USED; OR

1                   (II)       THE EXPIRATION OF THE TENTH TAXABLE YEAR AFTER THE  
2 TAXABLE YEAR IN WHICH THE QUALIFIED DEVELOPMENT PROJECT IS COMPLETED.

3                   (2)       (I)       IF A COMPLETED QUALIFIED DEVELOPMENT PROJECT IS SOLD  
4 OR TRANSFERRED, THE AMOUNT OF ANY CREDIT UNUSED AT THE TIME OF SALE OR  
5 TRANSFER MAY BE TRANSFERRED TO THE INDIVIDUAL OR BUSINESS ENTITY TO  
6 WHICH THE BUILDING IS SOLD OR TRANSFERRED.

7                   (II)       SUBPARAGRAPH (I) OF THIS PARAGRAPH APPLIES REGARDLESS  
8 OF WHETHER THE TRANSFER IS MADE BY AN INDIVIDUAL OR BUSINESS ENTITY  
9 THAT OWNS THE QUALIFIED DEVELOPMENT PROJECT AS INCOME PRODUCING  
10 PROPERTY TO AN INDIVIDUAL OR BUSINESS ENTITY THAT OWNS THE QUALIFIED  
11 DEVELOPMENT PROJECT AND NONINCOME PRODUCING PROPERTY.

12       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
13 July 1, 2002 and shall be applicable to all taxable years beginning after December 1,  
14 2001.